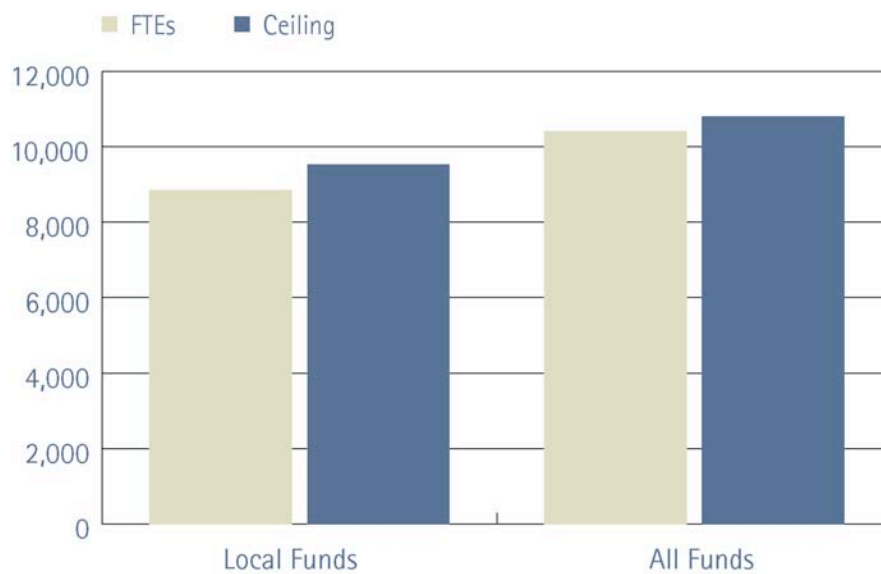


POSITION OVERVIEW

The District of Columbia Public Schools is requesting a total of 11,089 budgeted positions in FY 2006 representing an increase of 276 positions or 2.6% over FY 2005 levels. The growth in the positions is primarily attributed to an increase in program initiatives of the new superintendent intending to strengthen the educational programs and improving system-wide operations.

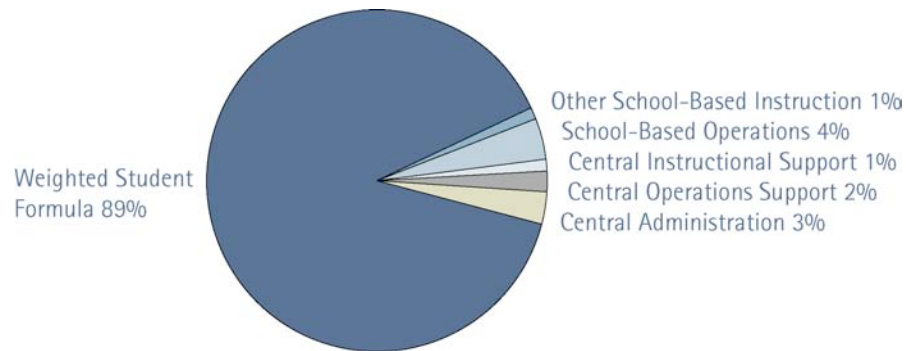
Historically, the actual number of FTEs on DCPS payroll is below the budgeted ceilings due to the financial constraints often experienced after the start of the fiscal year.

DCPS FY 2004: Actual FTEs vs. Position Ceiling



In an analysis conducted by the Office of the Chief Financial Officer in collaboration with the Washington Lawyers Committee for Civil Right & Urban Affairs, it was found that in FY 2004, DCPS was significantly below its position ceiling (9,540) in the number of budgeted FTE positions (9,183) and further below in the number of FTE employees on the payroll (8,852).

DCPS Actual FTEs FY 2004 Local Funds Only



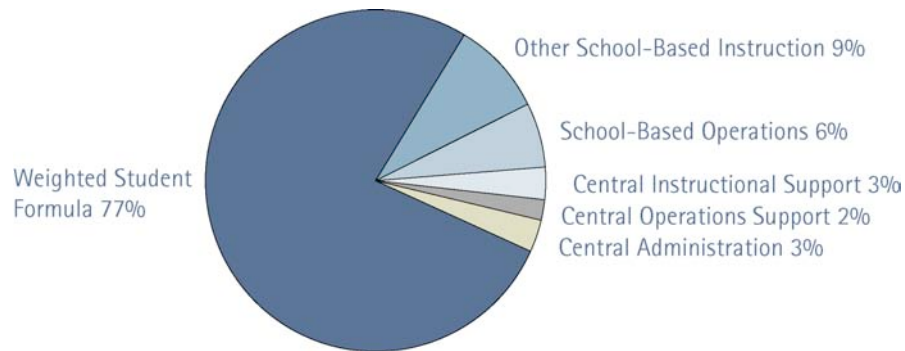
From 2003 to 2004, the number of FTE employees on the payroll in central offices and services declined by 7%, from 499 to 464, and in local schools and other direct services to children (e.g., social workers, visiting teachers) declined 7.7% from 7,732 to 7,139. These numbers do not include state-level functions such as special education transportation. Staff has been cut far more than enrollment has declined. The principal reason behind this is the need to cover large employee pay increases. The annualized cost of filled positions was almost exactly the same as the budget ceiling for salaries and fringe benefits — \$384 million. The annualized cost of vacant positions was about \$20 million, and that is how the system stayed within the PS ceiling.

The percentage of positions in central offices and services was 5.2% including state-level functions and 6.1% if state-level functions are excluded. This is quite low, and is part of the reason why DCPS has been unable to expand its operational capacity. Given the lack of advanced automated systems, there is an increased burden on the remaining central staff to carry-out critical functions. The percentage of positions in local schools and other direct services to children was 80.6 percent if state level functions are included and 93.9 percent if state level functions are excluded.

Total Revenues, Including Federal Grants and Intra-District Funds: Positions and Actual Employees

DCPS was over its position ceiling (10,814) by 29 budgeted FTE positions (10,845), but significantly under in the number of FTE employees on the payroll (10,419). The position ceiling for federally funded employees was not in line with the budget availability as budget increases were sought after the final budget was approved by Congress.

DCPS Actual FTEs FY 2004: All Revenue Sources

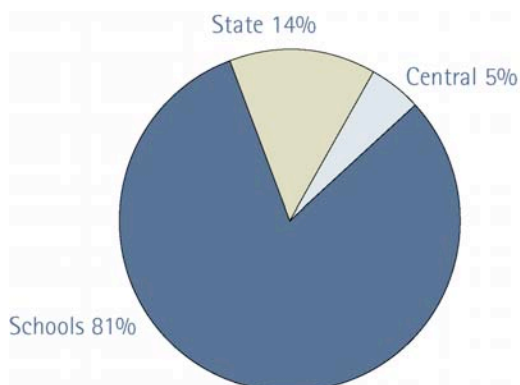


From 2003 to 2004, the number of FTE employees on the payroll from all revenue sources in central offices and services remained at about the same (685 to 694), meaning that federal funds covered more employees. In local schools and other direct services to children staff from all revenue sources declined by 5.9 percent from 8,949 to 8,424, again far more than enrollment decline. With Federal and Intra-District funds included, the percentage of actual FTEs on the payroll was 6.7% central and 80.8% schools, if state functions are included, and 7.6% central and 92.4% schools if state functions are not included.

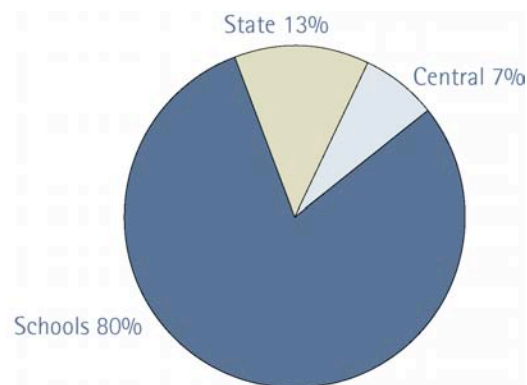
State-Level Functions: Positions and Actual Employees

State level functions, predominantly special education transportation and special education services for private and charter schools, account for 14% of all locally funded FTEs and 12.5% of FTEs funded from all revenue sources. Employees performing state level functions (all revenue sources) are in transportation (1,130), special education state services (76), Oak Hill (50) and a scattering in other functions, e.g., teacher certification, charter school oversight, etc.

DCPS FY 2004 FTEs on Payroll by Area
Local Funds Only



DCPS FY 2004 FTEs on Payroll by Area
All Revenue Sources



Special education transportation accounted for 12.8% of our locally funded workforce — 1,130 FTEs out of 8,852 on the payroll. Even with employees from all revenue sources included, transportation accounts for 10.9% of the workforce.

The distribution of employees by sector in which they work demonstrates that most of DCPS employees are concentrated at the local schools via the Weighted Student Formula allocations.

PRESENTATION OF THE PROPOSED BUDGET BY PROGRAM AND ACTIVITY

The FY 2006 Budget Request represents the first Phase of the Board's implementation of its Performance Based Budget. While the Board adopted a Strategic Business plan in FY 2003, the Budget structure was not aligned to support the programmatic deliverables associated with the Business Plan. The proposed FY 2006 Budget takes in account the programmatic structure and presents "what" we do versus "who" does what leading to greater accountability and budget transparency.

The following pages present a summary of the proposed Performance Based Budgeting structure developed by the administration. Also included is a sample of the budget details that will be presented in the final FY 2006 Budget once it's adopted by the Board of Education. A comprehensive budget document by detail will be developed in early February. The proposed structure represents an initial attempt to present the school system's budget to the public in a way that is meaningful. This proposed budget is a work in progress and over the next few months its content and presentation will be refined.

The current Performance Based Budget structure is comprised of ten key programs. Each program is further broken down by various "Activities" and each "Activity" is grouped by the direct services that are provided. In developing this structure, DCPS will be in line with other District agencies as the public looks to enable increased accountability to ensure better use of public funds.

For historical reference, a budget summary by organization level is also included for your review.

DCPS PBB PROGRAMMATIC STRUCTURE

- I. Program 1: Instructional Programs
 - Activity #1: General Education
 - Activity #2: Gifted & Talented
 - Activity #3: International Programs
 - Activity #4: Early Childhood Education
 - Activity #5: ESL/Bilingual
 - Activity #6: Vocational Education
 - Activity #7: AfterSchool Programs
 - Activity #8: Summer Programs
 - Activity #9: Textbook Program
 - Activity #10: Library & Media
 - Activity #11: Instructional Technology & Support
- II. Program 2: Instructional Support Services
 - Activity #1: Curriculum Development and Implementation
 - Activity #2: Professional Development Programs
 - Activity #3: Local Grants Administration
 - Activity #4: Parental Involvement and Engagement
- III. Program 3: Special Education Local
 - Activity #1: Special Education Local School Delivery
 - Activity #2: Special Education Local Administration
- IV. Program 4: Student Support Services
 - Activity #1: Guidance Counseling
 - Activity #2: Health Services
 - Activity #3: Intervention Services
 - Activity #4: Transitory Services
 - Activity #5: Athletics
 - Activity #6: Truancy Services
 - Activity #7: Co-curriculum/Extra Curricular Activities
 - Activity #8: Student Affairs
 - Activity #9: Student Hearings
- V. Program 5: Non-Instructional Support Services
 - Activity #1: Custodial Services
 - Activity #2: Facilities and Infrastructure
 - Activity #3: Food Services
 - Activity #4: Security Services
 - Activity #5: Public Utilities
- VI. Program 6: Special Education State
 - Activity #1: Special Education Litigation
 - Activity #2: Special Education State Program and Services
 - Activity #3: Special Education Transportation
 - Activity #4: Swing School Transportation
 - Activity #5: Special Education Tuition Payments

- VII. Program 7: Other State Functions
Activity #1: Assessment and Accountability Programs
Activity #2: Juvenile Justice Instructional Programs
Activity #3: General Education Tuition Payments
Activity #4: State Grants Administration
- VIII. Program 8: School System Management
Activity #1: School Based Administration
Activity #2: School Operations Support
Activity #3: Governance
Activity #4: Management, Direction & Oversight
- IX. Program 9: Agency Management Program
Activity #1: Personnel
Activity #2: Labor Management and Partnerships
Activity #3: Contracting and Procurement
Activity #4: Property Management
Activity #5: Information Technology
Activity #6: Financial Services/Business Operations
Activity #7: Legal
Activity #8: Communications
- X. Program 10: Agency Financial Operations
Activity #1: Budget Operations
Activity #2: Accounting Operations